

IDENTIFYING YOUR MARKETS

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Entrepreneurship**

Transcript

[TEXT: YOUNG AFRICAN LEADERS INITIATIVE
ONLINE TRAINING SERIES]

[TEXT: IDENTIFYING YOUR MARKETS]

[TEXT: Learning Objectives]

1. Learn how to identify markets.
2. How to research your idea.
3. How to determine your skill set.]

[TEXT: Claude Grunitzky, Chairman, TRUE]

My name is Claude Grunitzky and this is "Identifying Your Markets."

In this lesson, you will learn how to identify markets, how to research your idea, and how to determine your skill set.

One of my professors gave me some great advice. He said, regardless of your business idea, the entrepreneur must ask him or herself, "What is the single necessary and sufficient condition for a business?" It is not a product, a technology, a customer need, a business plan, a vision, a strong team, investors, or competitive advantage. While all those things are important for a company to have, none of them is the right answer.

The single necessary and sufficient condition for a business is a paying customer — the person who will pay your company money for its product or service. Knowing this, how does one identify a need and business opportunity? The business opportunity is always related to the needs of that paying customer.

Begin by estimating how many paying customers there are in your chosen market. Digging deeper, find out where they are geographically, and how much they would be willing to spend on the product or service you intend to sell.

However, just because you have a paying customer does not mean you have a profitable business. In order to have a profitable business, the entrepreneur will need to gain enough paying customers, spending enough money within a relatively short period of time, so that the business does not run out of capital. These calculations are difficult, and demand quite a bit of research.

How do you go about researching your idea, then?

The goal is to launch a business based on an innovative product or service where no market currently exists. If your business idea is to sell batteries for mobile phones to residents of your home city, you will need to do the research, based on what we call market segmentation. You will have to find potential future paying customers and ask them questions about the batteries in their mobile phones. Take advantage of the Internet, if you have access, or make connections by talking to



friends and family. Get on the phone or in the car, or walk the streets, to pursue information and potential opportunities.

Even if other companies might already be selling batteries, the objective is to make sure no one is selling batteries like yours. If your battery is not better, not cheaper, doesn't last longer, or more advanced than existing batteries, then there is no reason to start a new business selling batteries. However, if your battery is better than existing batteries, provided you've done the research to identify your target customer in order to estimate how much money they would be willing to spend on a better battery, you will attract lots of new paying customers. You will then have a high market share that you can use as a basis for future expansion.

How do you determine what fits your own skill set?

You've done all the research, based on an approach that we call market segmentation. Now you are in a position to know your future paying customers. You have an idea of what they like and dislike about their mobile phone batteries, where they live, where they shop, what jobs they have and their monthly income. You even have a good idea of how much they might be willing to spend on better batteries for their mobile phones. But in order to sell lots of batteries to your newly identified target market, you will need to make sure that target market is consistent with your values, your passions, goals and aspirations as an entrepreneur.

The ambitious entrepreneur becomes obsessed with the wants and needs of the paying customer. But he or she must be smart about the role they want to play in the business. If the entrepreneur is interested in the technology of making better batteries, and good at receiving feedback on how to improve the battery, then he or she should focus on product development and let other people on the team concentrate on sales or marketing.

If, on the other hand, the entrepreneur is good at explaining the benefits of the new battery, and why customers should pay for them, then they should be in sales or marketing.

It takes time and patience to convince new paying customers to buy your product. You will succeed if you know your market and your own personal skills.

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